

**REPORT OF THE AUDIT OF THE  
HANCOCK COUNTY  
FISCAL COURT**

**For The Fiscal Year Ended  
June 30, 2002**



**EDWARD B. HATCHETT, JR.  
AUDITOR OF PUBLIC ACCOUNTS  
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**EXECUTIVE SUMMARY**

**AUDIT EXAMINATION OF THE**  
**HANCOCK COUNTY FISCAL COURT**

**For The Fiscal Year Ended**  
**June 30, 2002**

The Auditor of Public Accounts has completed the Hancock County Fiscal Court audit for fiscal year ended June 30, 2002. We have issued an unqualified opinion on the financial statements taken as a whole. Based upon the audit work performed, the financial statements are presented fairly in all material respects.

**Financial Condition:**

Cash balances increased by \$489,468 from the beginning of the year, resulting in a cash surplus of \$1,854,924 as of June 30, 2002.

**Debt Obligations:**

Capital lease principal agreement totaled \$14,735 as of June 30, 2002. Future principal and interest payments of \$14,874 are needed to meet this obligation.

Note payable principal totaled \$59,466 as of June 30, 2002. Future principal and interest payments of \$65,875 are needed to meet this obligation.

**Deposits:**

The Fiscal Court's deposits were insured and collateralized by bank securities or bonds.



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**EDWARD B. HATCHETT, JR.**  
**AUDITOR OF PUBLIC ACCOUNTS**

To the People of Kentucky

Honorable Paul E. Patton, Governor

Gordon C. Duke, Secretary

Finance and Administration Cabinet

Dana Mayton, Secretary, Revenue Cabinet

Honorable Jack B. McCaslin, Hancock County Judge/Executive

Members of the Hancock County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of assets, liabilities, and equity arising from cash transactions of Hancock County, Kentucky, as of June 30, 2002, and the related statement of cash receipts, cash disbursements, and changes in cash balances for the year then ended. These financial statements are the responsibility of the Hancock County Fiscal Court. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, Hancock County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and equity arising primarily from cash transactions as of June 30, 2002 of Hancock County, Kentucky, and the receipts and disbursements for the year then ended, in conformity with the modified cash basis of accounting.



To the People of Kentucky  
Honorable Paul E. Patton, Governor  
Gordon C. Duke, Secretary  
Finance and Administration Cabinet  
Dana Mayton, Secretary, Revenue Cabinet  
Honorable Jack B. McCaslin, Hancock County Judge/Executive  
Members of the Hancock County Fiscal Court

In accordance with Government Auditing Standards, we have also issued our report dated August 21, 2003 on our consideration of Hancock County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The accompanying financial information listed as supporting schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of Hancock County, Kentucky. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Audit fieldwork completed -  
August 21, 2003



HANCOCK COUNTY OFFICIALS

For The Fiscal Year Ended June 30, 2002

**Fiscal Court Members:**

Jack B. McCaslin	County Judge/Executive
William H. Covetts	Magistrate
Franklin W. Estes	Magistrate
Michael C. Powers	Magistrate
Loren T. Newton	Magistrate

**Other Elected Officials:**

Harold W. Newton	County Attorney
Priscilla E. Lambert	Jailer
Troy B. Russelburg	County Clerk
Noel J. Quinn	Circuit Court Clerk
Ralph D. Bozarth	Sheriff
Dennis R. Long	Property Valuation Administrator
David G. Gibson	Coroner

**Appointed Personnel:**

Harvey A. Hawkins	County Treasurer
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STATEMENT OF ASSETS, LIABILITIES,  
AND EQUITY ARISING FROM CASH TRANSACTIONS



HANCOCK COUNTY  
STATEMENT OF ASSETS, LIABILITIES,  
AND EQUITY ARISING FROM CASH TRANSACTIONS

June 30, 2002

	<u>Governmental Fund Types</u>			<u>Totals</u> <u>(Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
<u>Assets and Other Resources</u>				
<u>Assets</u>				
Cash and Cash Equivalents	\$ 1,720,545	\$ 152,843	\$	\$ 1,873,388
Notes Receivable (Note 4)		364,000	59,466	423,466
Total Assets	\$ 1,720,545	\$ 516,843	\$ 59,466	\$ 2,296,854
<u>Other Resources</u>				
Amounts to Be Provided in Future Years for:				
Capital Lease (Note 6)	\$ 14,735	\$	\$	\$ 14,735
Landfill Post - Closure Costs (Note 8)	700,000			700,000
Note Payable (Note 5)			59,466	59,466
Total Other Resources	\$ 714,735	\$ 0	\$ 59,466	\$ 774,201
Total Assets and Other Resources	\$ 2,435,280	\$ 516,843	\$ 118,932	\$ 3,071,055

The accompanying notes are an integral part of the financial statement.

HANCOCK COUNTY  
STATEMENT OF ASSETS, LIABILITIES,  
AND EQUITY ARISING FROM CASH TRANSACTIONS  
June 30, 2002  
(Continued)

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Debt Service	
<u>Liabilities and Equity</u>				
<u>Liabilities</u>				
Capital Lease (Note 6)	\$ 14,735	\$	\$	\$ 14,735
Landfill Post-Closure Costs (Note 8)	700,000			700,000
Notes Payable (Note 5)			59,466	59,466
Payroll Liabilities	18,464			18,464
Total Liabilities	<u>\$ 733,199</u>	<u>\$ 0</u>	<u>\$ 59,466</u>	<u>\$ 792,665</u>
<u>Equity</u>				
Fund Balances:				
Unreserved	<u>\$ 1,702,081</u>	<u>\$ 516,843</u>	<u>\$ 59,466</u>	<u>\$ 2,278,390</u>
Total Equity	<u>\$ 1,702,081</u>	<u>\$ 516,843</u>	<u>\$ 59,466</u>	<u>\$ 2,278,390</u>
Total Liabilities and Equity	<u><u>\$ 2,435,280</u></u>	<u><u>\$ 516,843</u></u>	<u><u>\$ 118,932</u></u>	<u><u>\$ 3,071,055</u></u>

The accompanying notes are an integral part of the financial statement.

STATEMENT OF CASH RECEIPTS,  
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

HANCOCK COUNTY  
STATEMENT OF CASH RECEIPTS,  
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

For The Fiscal Year Ended June 30, 2002

	General Fund Types			
	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
<u>Cash Receipts</u>				
Schedule of Operating Revenue	\$ 4,804,557	\$ 3,844,023	\$ 817,558	\$ 42,220
Transfers In	914,767		704,000	166,000
Kentucky Advance Revenue Program	1,306,800	1,306,800		
Total Cash Receipts	<u>\$ 7,026,124</u>	<u>\$ 5,150,823</u>	<u>\$ 1,521,558</u>	<u>\$ 208,220</u>
<u>Cash Disbursements</u>				
Comparative Schedule of Final Budget and Budgeted Expenditures	\$ 4,251,383	\$ 2,681,543	\$ 1,309,533	\$ 206,446
Kentucky Development Finance Authority-				
Principal	16,408			
Interest	4,394			
Transfers Out	914,767	914,767		
Capital Lease:				
Principal Paid	42,904		42,904	
Kentucky Advance Revenue Program				
Repaid	1,306,800	1,306,800		
Total Cash Disbursements	<u>\$ 6,536,656</u>	<u>\$ 4,903,110</u>	<u>\$ 1,352,437</u>	<u>\$ 206,446</u>
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	\$ 489,468	\$ 247,713	\$ 169,121	\$ 1,774
Cash Balance - July 1, 2001	1,365,456	1,420,548	(149,634)	(465)
Cash Balance - June 30, 2002	<u>\$ 1,854,924</u>	<u>\$ 1,668,261</u>	<u>\$ 19,487</u>	<u>\$ 1,309</u>

The accompanying notes are an integral part of the financial statement.



HANCOCK COUNTY  
STATEMENT OF CASH RECEIPTS,  
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES  
For The Fiscal Year Ended June 30, 2002  
(Continued)

General Fund Type	Special Revenue Fund Type	Debt Service Fund Type
Local Government Economic Assistance Fund	E911 Fund	Kentucky Development Finance Authority Fund
\$ 26,945	\$ 53,009 44,767	\$ 20,802
\$ 26,945	\$ 97,776	\$ 20,802
\$ 22,676	\$ 31,185	\$
		16,408 4,394
\$ 22,676	\$ 31,185	\$ 20,802
\$ 4,269 8,755	\$ 66,591 86,252	\$ 0 0
\$ 13,024	\$ 152,843	\$ 0

The accompanying notes are an integral part of the financial statements.

HANCOCK COUNTY  
NOTES TO FINANCIAL STATEMENTS

June 30, 2002

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statements of Hancock County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Based upon the application of the criteria stated in GASB 14, there are no component units which merit consideration as part of the reporting entity.

Additional - Hancock County Constitutional Elected Officials

- Circuit Court Clerk
- County Attorney
- County Clerk
- County Sheriff
- Property Valuation Administrator

The Kentucky constitution provides for election of the above officials from the geographic area constituting Hancock County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices.

B. Fund Accounting

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The government uses funds to report on its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. Hancock County Fiscal Court's fund types, a definition of each, and county funds included within each fund type are listed below.

1) General Fund Type

General Fund Type accounts for all financial resources except those required to be accounted for in another fund type. The Hancock County General Fund Type includes the following county funds: General Fund, Road and Bridge Fund, Jail Fund, and Local Government Economic Assistance Fund.

HANCOCK COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2002  
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

B. Fund Accounting (Continued)

2) Special Revenue Fund Type

Special Revenue Fund Type accounts for the proceeds of specific revenue sources that are legally restricted to expenditures for the specified purpose. The E911 Fund of the Fiscal Court is reported as a Special Revenue Fund Type.

3) Debt Service Fund Type

Debt Service Fund Type accounts for the accumulation of resources for the payment of general long-term debt principal and interest and includes funds for the Kentucky Development Finance Authority Fund. Debt service is provided through monthly payments from Arvin Roll Coater, Inc., in the amount of the debt service requirements for the year.

C. Basis of Accounting

For all fund types, the county utilizes a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Long-term receivables, deferred revenue, long-term obligations and amounts to be provided in future years to retire debt are recorded in the financial statements. The amount to be provided in future years to retire debt is offset by any cash or cash equivalents held by the county in a bond or debt service fund.

The State Local Finance Officer does not require the county to maintain a general fixed assets group of accounts; therefore the value of the county's fixed assets is not included in the financial statements. These fixed assets include buildings, equipment and land that are owned by the county.

D. Legal Compliance - Budget

The Hancock County budget is adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer. The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

Formal budgets are not adopted for the Kentucky Development Finance Authority Fund because the Department for Local Government does not require this fund to be budgeted.

HANCOCK COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2002  
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

E. Cash and Investments

Cash includes amounts in bank accounts.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

F. Joint Ventures

A legal entity or other organization that results from a contractual agreement and that is owned, operated, or governed by two or more participants as a separate activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility is a joint venture. The Hancock County Urban Planning Commission is considered a joint venture.

Note 2. Employee Retirement System

The county has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system, which covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 6.41 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report.

HANCOCK COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2002  
(Continued)

Note 3. Deposits

The county maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of June 30, 2002, the county's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the county's agent in the county's name, or provided surety bond which named the county as beneficiary/obligee on the bond.

Note 4. Receivables

- A. The County loaned \$364,000 to World Source Industries, Inc., on June 14, 1990, for the purpose of land acquisition. This loan has since been assumed by Arvin Roll Coater Inc. Terms of the agreement stipulate a one-time payment on June 14, 2005. Arvin Roll Coater Inc. is in substantial compliance with the terms of the agreement. As of June 30, 2002, principal balance due was \$364,000.
- B. The County loaned \$200,000 to World Source Industries, Inc., on August 21, 1990, for the purpose of land acquisition. This loan has since been assumed by Arvin Roll Coater Inc. Terms of the agreement stipulate a 15-year repayment schedule at interest of 6.421%. Arvin Roll Coater Inc. is in substantial compliance with the terms of the agreement. As of June 30, 2002 principal balance due was \$59,466.

Note 5. Note Payable

The County borrowed \$200,000 from the Kentucky Development Finance Authority for the purpose of economic development. Terms of the agreement stipulate a 15-year repayment schedule at interest of 6.421%. The County is in substantial compliance with the terms of the agreement. As of June 30, 2002, the principal balance due was \$59,466. Future note principal and interest requirements are:

Fiscal Year Ending	Interest	Principal
June 30, 2003	\$ 3,309	\$ 17,493
June 30, 2004	2,153	18,650
June 30, 2005	919	19,883
June 30, 2006	28	3,440
Totals	<u>\$ 6,409</u>	<u>\$ 59,466</u>

HANCOCK COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2002  
(Continued)

Note 6. Capital Lease Agreement

The County entered into a lease-purchase agreement with John Deere Credit, Inc. for a dozer. The principal amount due was \$125,000 at the inception of the lease. As of June 30, 2002, the principal balance due was \$14,735. Remaining lease principal and interest requirements are:

<u>Fiscal Year Ending</u>	<u>Interest</u>	<u>Principal</u>
June 30, 2003	\$ 139	\$ 14,735
Totals	<u>\$ 139</u>	<u>\$ 14,735</u>

Note 7. Insurance

For the fiscal year ended June 30, 2002, Hancock County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 8. Landfill Closure and Post-Closure Costs

The Hancock County Landfill was closed on June 20, 1995. The County must comply with established state and federal landfill closure and post-closure procedures and must perform maintenance and monitor procedures at the site for 30 years after closure. Estimated post-closure care costs total \$700,000 as of June 30, 2002, or \$25,000 per year. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. It is anticipated that post-closure costs will be paid out of the General Fund to the extent that funds are available with any excess costs being funded using long-term borrowings.

COMPARATIVE SCHEDULE OF  
BUDGETED TO ACTUAL OPERATING REVENUE





HANCOCK COUNTY  
COMPARATIVE SCHEDULE OF  
BUDGETED TO ACTUAL OPERATING REVENUE

For The Fiscal Year Ended June 30, 2002

<u>Budgeted Funds</u>	<u>Budgeted Operating Revenue</u>	<u>Actual Operating Revenue</u>	<u>Over (Under) Budget</u>
<u>General Fund Types</u>			
General Fund	\$ 3,542,523	\$ 3,844,022	\$ 301,499
Road and Bridge Fund	557,335	817,558	260,223
Jail Fund	37,640	42,220	4,580
Local Government Economic Assistance Fund	13,100	26,946	13,846
<u>Special Revenue Fund Type</u>			
E911 Fund	<u>70,000</u>	<u>53,009</u>	<u>(16,991)</u>
Totals	<u>\$ 4,220,598</u>	<u>\$ 4,783,755</u>	<u>\$ 563,157</u>
<u>Reconciliation</u>			
Total Budgeted Operating Revenue Above			\$ 4,220,598
Add: Budgeted Prior Year Surplus			1,541,573
Less: Other Financing Uses			<u>(42,904)</u>
Total Operating Budget Per Comparative Schedule Of Final Budget and Budgeted Expenditures			<u>\$ 5,719,267</u>

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SCHEDULE OF OPERATING REVENUE



HANCOCK COUNTY  
SCHEDULE OF OPERATING REVENUE

For The Fiscal Year Ended June 30, 2002

Revenue Categories	GOVERNMENTAL FUND TYPE			
	Totals (Memorandum Only)	General Fund Types	Special Revenue Fund Type	Debt Service Fund Type
Taxes	\$ 3,095,152	\$ 3,044,880	\$ 50,272	\$
In Lieu Tax Payments	53,186	53,186		
Excess Fees	123,609	123,609		
Licenses and Permits	314	314		
Intergovernmental Revenues	1,183,311	1,183,272	39	
Charges for Services	111,721	111,721		
Miscellaneous Revenues	147,812	127,010		20,802
Interest Earned	89,452	86,754	2,698	
Total Operating Revenue	<u>\$ 4,804,557</u>	<u>\$ 4,730,746</u>	<u>\$ 53,009</u>	<u>\$ 20,802</u>

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COMPARATIVE SCHEDULE OF  
FINAL BUDGET AND BUDGETED EXPENDITURES





HANCOCK COUNTY  
COMPARATIVE SCHEDULE OF  
FINAL BUDGET AND BUDGETED EXPENDITURES

For The Fiscal Year Ended June 30, 2002

Expenditure Categories	GENERAL FUND TYPES		
	Final Budget	Budgeted Expenditures	Under (Over) Budget
General Government	\$ 1,239,192	\$ 932,333	\$ 306,859
Protection to Persons and Property	816,053	739,423	76,630
General Health and Sanitation	354,239	135,830	218,409
Social Services	115,163	95,135	20,028
Recreation and Culture	360,226	316,066	44,160
Roads	1,275,764	1,195,958	79,806
Airports	2,000		2,000
Debt Service	55,841	19,127	36,714
Administration	1,360,789	786,326	574,463
Total Operating Budget - General Fund Types	\$ 5,579,267	\$ 4,220,198	\$ 1,359,069
Other Financing Uses:			
Capital Lease Agreement-			
Principal on Lease	42,904	42,904	
TOTAL BUDGET - GENERAL FUND TYPES	<u>\$ 5,622,171</u>	<u>\$ 4,263,102</u>	<u>\$ 1,359,069</u>

Expenditure Categories	SPECIAL REVENUE FUND TYPE		
	Final Budget	Budgeted Expenditures	Under (Over) Budget
Protection to Persons and Property	\$ 109,000	\$ 31,185	\$ 77,815
Administration	31,000		31,000
TOTAL BUDGET - SPECIAL REVENUE FUND TYPE	<u>\$ 140,000</u>	<u>\$ 31,185</u>	<u>\$ 108,815</u>

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS





**EDWARD B. HATCHETT, JR.**  
**AUDITOR OF PUBLIC ACCOUNTS**

To the People of Kentucky

Honorable Paul E. Patton, Governor  
Gordon C. Duke, Secretary  
Finance and Administration Cabinet  
Dana Mayton, Secretary, Revenue Cabinet  
Honorable Jack B. McCaslin, Hancock County Judge/Executive  
Members of the Hancock County Fiscal Court

**Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards**

We have audited the financial statements of Hancock County, Kentucky, as of and for the year ended June 30, 2002, and have issued our report thereon dated August 21, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Hancock County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Hancock County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.



Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards  
(Continued)

This report is intended solely for the information and use of management and is not intended to be, and should not be, used by anyone other than the specified party.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Audit fieldwork completed -  
August 21, 2003

CERTIFICATION OF COMPLIANCE -  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAMS

HANCOCK COUNTY FISCAL COURT

For The Fiscal Year Ended  
June 30, 2002

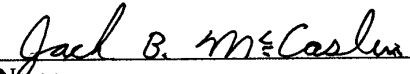
**CERTIFICATION OF COMPLIANCE**

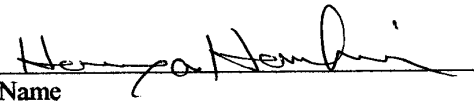
**LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAMS**

**HANCOCK COUNTY FISCAL COURT**

**For The Fiscal Year Ended June 30, 2002**

The Hancock County Fiscal Court hereby certifies that assistance received from the Local Government Economic Development Program and Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.

  
\_\_\_\_\_  
Name  
County Judge/Executive

  
\_\_\_\_\_  
Name  
County Treasurer



